

CONTROLS OVER TDY TRAVEL
REIMBURSEMENTS
ARE GENERALLY ADEQUATE

OIG/99A-18 February 4, 2000

February 4, 2000

MEMORANDUM TO: Jesse L. Funches
 Chief Financial Officer

FROM: Thomas J. Barchi
 Assistant Inspector General for Audits

SUBJECT: CONTROLS OVER TDY TRAVEL REIMBURSEMENTS
 ARE GENERALLY ADEQUATE

Attached is the Office of the Inspector General's audit report titled, *Controls Over TDY Travel Reimbursements are Generally Adequate*. This report reflects the results of our review of the agency's controls over travel reimbursements performed in the Office of the Chief Financial Officer.

On January 14, 2000, you provided a response to our draft report, agreed with our recommendations, and described plans for addressing the concerns outlined in our report. We believe the measures you outlined are adequate to correct the concerns noted in the report.

Please contact me at 415-5915 if you have any questions or if I can provide any additional information.

Attachment: As stated

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REPORT SYNOPSIS

The Office of the Inspector General (OIG) initiated a review of the U.S. Nuclear Regulatory Commission's (NRC) controls over temporary duty (TDY) travel reimbursements after learning of recent concerns raised about the adequacy of controls over such payments. The objective of this review was to determine through substantive testing whether controls over travel reimbursements are adequate. Our review focused on compliance with Federal travel regulations and did not address issues related to the cost effectiveness of approved travel. We also looked at the use of ground transportation and discussed those results with agency officials. NRC subsequently issued agency-wide Announcement Number 082, *Reminder to All Employees on the Approval of Ground Transportation While on Official Travel*. That information has not been included in this report.

Travel regulations are published in the Federal Register and in the Code of Federal Regulations (CFR), more specifically, *Federal Travel Regulation*, 41 CFR Chapters 300-304. NRC provides specific direction for its employees in Volume 14 of its Management Directive (MD) system. MD 14.1, *Official Temporary Duty Travel*, provides employees and others traveling for the agency with procedures, regulations, and requirements for official Government travel, and the means to properly claim reimbursement for expenses.

In general, we found that NRC's controls over TDY travel reimbursements appear sufficient in precluding risks to the agency. However, we found a high percentage of errors for Region III and Headquarters for one control attribute tested (see Appendix II, number 6). Most of the errors found were of an administrative nature and did not indicate increased risk to the agency.

Our report makes four recommendations for improving the agency's TDY travel reimbursement process.

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INTRODUCTION

The Office of the Inspector General (OIG) initiated a review of the U.S. Nuclear Regulatory Commission's (NRC) controls over temporary duty (TDY) travel reimbursements after learning of recent concerns raised about the adequacy of controls over such payments. The objective of this review was to determine through substantive testing whether controls over travel reimbursements are adequate. Our review focused on compliance with Federal travel regulations and did not address issues related to the cost effectiveness of approved travel. We also looked at the use of ground transportation and discussed those results with agency officials. NRC subsequently issued agency-wide Announcement Number 082, *Reminder to All Employees on the Approval of Ground Transportation While on Official Travel*. That information has not been included in this report. Appendix I contains a more detailed description of our objective, scope, and methodology.

BACKGROUND

Travel regulations are published in the Federal Register and in the Code of Federal Regulations (CFR), more specifically, *Federal Travel Regulation* (FTR), 41 CFR Chapters 300-304. Travel regulations govern travel and transportation allowances for Federal civilian employees; relocation allowances for Federal civilian employees and certain new employees; payment of expenses connected with the death of government civilians under certain circumstances; and payment from a non-Federal source for travel expenses. NRC provides specific direction for its employees in Volume 14 of its Management Directive (MD) system. MD 14.1 provides employees and others traveling for the agency with procedures, regulations, and requirements for official Government travel and the means to properly claim reimbursement for expenses.

Within NRC, the Travel Management Branch, Division of Accounting and Finance, Office of the Chief Financial Officer (OCFO), implements travel accounting and financial requirements such as FTR. The Branch also maintains the centralized travel and related fiscal services, accounting, and reporting functions. In addition, the Resource Management Branch in the Division of Resource Management and Administration at each of NRC's four Regional offices has responsibility for regional travel-related fiscal activity.

Travelers must obtain approval, in advance of the performance of official travel, by completing NRC Form 279, *Official Travel Authorization*. This authorization identifies the purpose, itinerary, and estimated cost of the travel, and must be approved by an appropriate authorizing official. After each trip, the traveler must

file a travel reimbursement voucher, NRC Form 64, *Travel Voucher*. All claims must be accurate and supported by required receipts. An appropriate approving official must sign each voucher. It is then forwarded to the appropriate travel office for review by a voucher examiner. Travel regulations state that the agency may disallow payment for an expense which is not authorized.

RESULTS OF AUDIT

We found that NRC's controls over TDY travel reimbursements are generally sufficient in precluding risks to the agency. However, we found a high percentage of errors for Region III and Headquarters for one attribute tested.⁽¹⁾ Most of the errors we found were of an administrative nature and did not indicate increased risk to the agency. We also identified several areas in which improvements to agency controls can be made.

CONTROLS OVER TDY TRAVEL REIMBURSEMENTS ARE GENERALLY ADEQUATE

We reviewed FTR and MD 14.1 to establish the six control⁽²⁾ attributes we tested during our audit (see Appendix II). We then reviewed a statistical random sample of 529 travel vouchers paid between October 1, 1998, and June 30, 1999, in the amount of \$200 or more, covering each Region and Headquarters. For five of the six control attributes, error rates were within acceptable limits. For the other attribute, two of the sample groups (Region III and Headquarters) exceeded the acceptable error rate.

In those two groups, we found inconsistencies between the items identified on the travel authorization and the items being claimed for reimbursement on the voucher. Claims were paid for actual lodging expenses, rental cars, use of privately owned automobiles, and Automated-Teller Machine (ATM) fees that were not appropriately authorized on the travel authorization in advance of the trip. According to MD 14.1, all expenditures must be authorized. If a change in requirements is identified before the travel begins, an amendment to the authorization is required. For example, in these two groups:

1

For the attribute of claimed expenses being consistent with those authorized (see Appendix II, number 6), an error rate of 16% was identified for Region III and a 12% error rate for Headquarters. We determined that Region III's error rate decreased after March 1999 when they implemented a 100% review of all vouchers submitted.

2

A control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations.

- On 16 vouchers, travelers claimed ATM fees for unauthorized cash advances. Of these, one voucher included fees for a withdrawal made after the last day of travel. MD 14.1 states that ATM fees are only allowed when authorized on the travel authorization, and obtained with the Government contractor-issued travel charge card. Fees for withdrawals made after the last day of travel are not reimbursable.
- On nine vouchers, travelers did not indicate the nature of the per diem expense on the travel authorization. Of these, two were for actual lodging expenses in which the per-night cost of lodging exceeded the applicable per diem rate for the TDY location. Travel regulations state actual subsistence requires written justification of the specific circumstances for the request.

Currently, there are differing levels of review conducted by Headquarters and the four Regional offices. However, all offices conduct a review of between 10 and 100 percent of all vouchers submitted.

Other Considerations for Improving the Adequacy of Controls

Although controls over travel reimbursements are generally adequate, we did identify several areas in which we believe improvements can be made.

- Travel officials from one Region told us that travel regulations are somewhat subjective and staff interpret them differently across the agency. They felt that more definitive guidance is needed from Headquarters when requested to ensure that all agency personnel are consistent in carrying out the regulations.
- We found two instances in which a non-government individual was a second driver of a vehicle rented for government business. We also found four vouchers where the traveler picked up a rental car before the official travel date. MD 14.1 states that rental vehicles are for official purposes only and should be picked up at the start of official business and turned in at the conclusion of official business, unless otherwise authorized. The General Services Administration (GSA) recommends adopting a policy limiting drivers to government employees only. Additionally, GSA recommends including a note on the authorization allowing early pick up, or late drop off, of the rental car, if necessary.
- We also found 13 vouchers among all those reviewed in which travelers calculated expenditures incorrectly and did not claim reimbursement for allowable expenses. These errors included not claiming (1) the allowable amount of per diem, (2) lodging costs, and (3) rental car expenses.

CONCLUSION

We believe NRC's controls over TDY travel reimbursements are generally adequate. Despite the identified differences in the percentage of vouchers reviewed by travel office personnel, we found the Regions and Headquarters current rate of review is sufficient based on the number of errors identified during our audit. However, there are areas where improvements in agency controls should be made.

RECOMMENDATIONS

To further improve controls over TDY travel reimbursements for the agency, we recommend that the Chief Financial Officer:

- (1) Reinforce the importance of having all anticipated travel requirements authorized prior to travel, except in cases of emergency, and ensure the travel authorization is properly completed and approved. This would include ensuring any advance pick up, or late drop off, of rental vehicles is justified in the remarks section of the authorization.
- (2) Provide timely clarification of guidance when requested to ensure consistency in interpretation of, and compliance with, the regulations.
- (3) Update MD 14.1 to incorporate the limitation of rental car use to government employees.
- (4) Emphasize, to travelers and those involved in review and approval, the importance of careful voucher review to ensure calculations and claims are correct.

AGENCY COMMENTS

On January 14, 2000, the Chief Financial Officer (CFO) responded to our draft report, agreed with our recommendations, and outlined corrective measures that will be implemented. The Travel Management Branch will issue a notice to reinforce the importance of (1) having all anticipated travel requirements authorized prior to the travel, (2) ensuring travel authorizations are properly completed and approved, (3) ensuring advance pick up or late drop off of rental vehicles are justified in the remarks section of the authorization, and (4) carefully reviewing vouchers to ensure calculations and claims are accurate. The CFO also stated that MD 14.1 Part 4.7.3

“Rental Vehicles and Special Means to Transportation” will be updated to incorporate the limitation of rental car use to government employees. We believe these actions adequately address our recommendations.

In addition, based on comments in the agency’s response, we made editorial changes to our final report where appropriate. Appendix IV contains a copy of the CFO’s comments.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine through substantive testing whether controls over travel reimbursements are adequate. To determine the adequacy of controls, we performed a substantive review of a statistical sample of paid travel vouchers. We used an attribute checklist to determine whether reimbursements are adequately supported and allowable under U.S. Nuclear Regulatory Commission (NRC) and Code of Federal Regulations requirements. We reviewed 529 travel vouchers⁽¹⁾ from all four Regional offices and Headquarters paid between October 1, 1998, and June 30, 1999, in amounts equal to or greater than \$200. We limited the sample to vouchers paid for temporary duty travel under either new, amended, regular, or blanket Official Travel Authorizations (NRC Form 279).

To fully understand travel claims and to determine the acceptability of reimbursements, we interviewed staff in the Office of the Chief Financial Officer at Headquarters and in the Division of Resource Management and Administration at the Regions. In addition, we visited Regions III and IV to examine their travel files and interviewed voucher examiners and authorizing officials about their policies, procedures, and process used to review travel claims.

We did not review Local Travel or Relocation Allowances. This review did not address issues related to the cost effectiveness of approved travel, but did consider the compliance of approved travel with the *Federal Travel Regulation* and Management Directive 14.1.

We reviewed related management controls and conducted our audit from June 1999 to September 1999 in accordance with generally accepted Government auditing standards.

1

Region I - 110, Region II - 112, Region III - 90, Region IV - 109, and Headquarters - 108

TRAVEL VOUCHER REVIEW CONTROL ATTRIBUTES

1. Was the voucher approved by an appropriate individual?
 - Specific individuals have delegated authority for signing travel authorizations and approving travel vouchers.
2. Was the voucher reviewed by a voucher examiner?
 - Travel vouchers are examined and signed by voucher examiners before payment.
3. Was there original documentation for each claimed expense requiring support?
 - Receipts are required for all lodging and for expenditures in excess of \$75.
4. Were the claimed expenses allowable?
 - All travel claims must conform to the Federal Travel Regulations and NRC Management Directive 14.1.
5. For personal vehicle use mileage claims greater than 100 miles, were the mileage amounts reasonable?
 - Mileages were checked using Internet driving calculation sites, e.g., MapQuest, Maps On Us.
6. Were claimed expenses consistent with the authorization?
 - Anticipated expenditures must be authorized in advance of the trip.

SUMMARY OF OIG REVIEW OF TRAVEL VOUCHERS

Item	Region I (110)		Region II (112)		Region III (90)		Region IV (109)		Headquarters (108)	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
1. Was the voucher approved by an appropriate individual?	110	0	112	0	90	0	109	0	108	0
2. Was the voucher reviewed by a voucher examiner?	110	0	112	0	90	0	109	0	108	0
3. Was there original documentation for each claimed expense requiring support?	109	1	112	0	90	0	107	2	106	2
4. Were the claimed expenses allowable?	108	2	109	3	89	1	108	1	105	3
5. For personal vehicle mileage claims greater than 100 miles, were the mileage amounts reasonable?	110	0	109	3	90	0	108	1	108	0
6. Were claimed expenses consistent with the authorization?	108	2	111	1	76	14	109	0	95	13

AGENCY RESPONSE TO DRAFT REPORT

January 14, 2000

MEMORANDUM TO: Thomas J. Barchi
Assistant Inspector General for Audits

FROM: Jesse L. Funches /s/
Chief Financial Officer

SUBJECT: RESPONSE TO DRAFT AUDIT REPORT -- CONTROLS OVER
TDY TRAVEL REIMBURSEMENTS ARE GENERALLY
ADEQUATE

This is in response to your Office of Inspector General draft audit report titled, "Controls Over TDY Travel Reimbursements Are Generally Adequate." We have reviewed your report and are pleased that your audit found that the headquarters and Regional execution of MD 14.1 and the FTR is effectively controlling travel reimbursements to such an extent that risk are minimized. We appreciate the opportunity and would like to offer the following comments to the draft report.

Recommendation 1

Reinforce the importance of having all anticipated travel requirements authorized prior to travel, except in cases of emergency, and ensure the travel authorization is properly completed and approved. This would include ensuring any advance pick up, or late drop off, of rental vehicles is justified in the remarks section of the authorization.

Response

Agree. The Travel Management Branch will issue a notice April 14, 2000, that reinforces the importance of:

- S Having all anticipated travel requirements authorized prior to the travel
- S Ensuring that the travel authorizations are properly completed and approved
- S Ensuring any advance pick up or late drop off of rental vehicles are justified in the remarks section of the authorization
- S Careful voucher review by travelers and those involved in the review and approve process to ensure calculation and claims are accurate

Recommendation 2

Provide timely clarification of guidance when requested to ensure consistency in interpretation of, and compliance with, the regulation.

Response

Agree. The Travel Management Branch will continue to strive to provide timely and consistent interpretations of travel regulations to all Regional and Headquarters employees.

Recommendation 3

Update MD 14.1 to incorporate the limitation of rental car use to government employees.

Response

Agree. The Travel Management Branch will update MD 14.1 Part 4.7.3 "Rental Vehicles and Special Means to Transportation." This will be completed by May 15, 2000.

Recommendation 4

Emphasize to travelers and those involved in the review and approval, the importance of careful voucher review to ensure calculations and claims are correct.

Response

Agree. Refer to response in Recommendation #1.

Factual Discrepancies

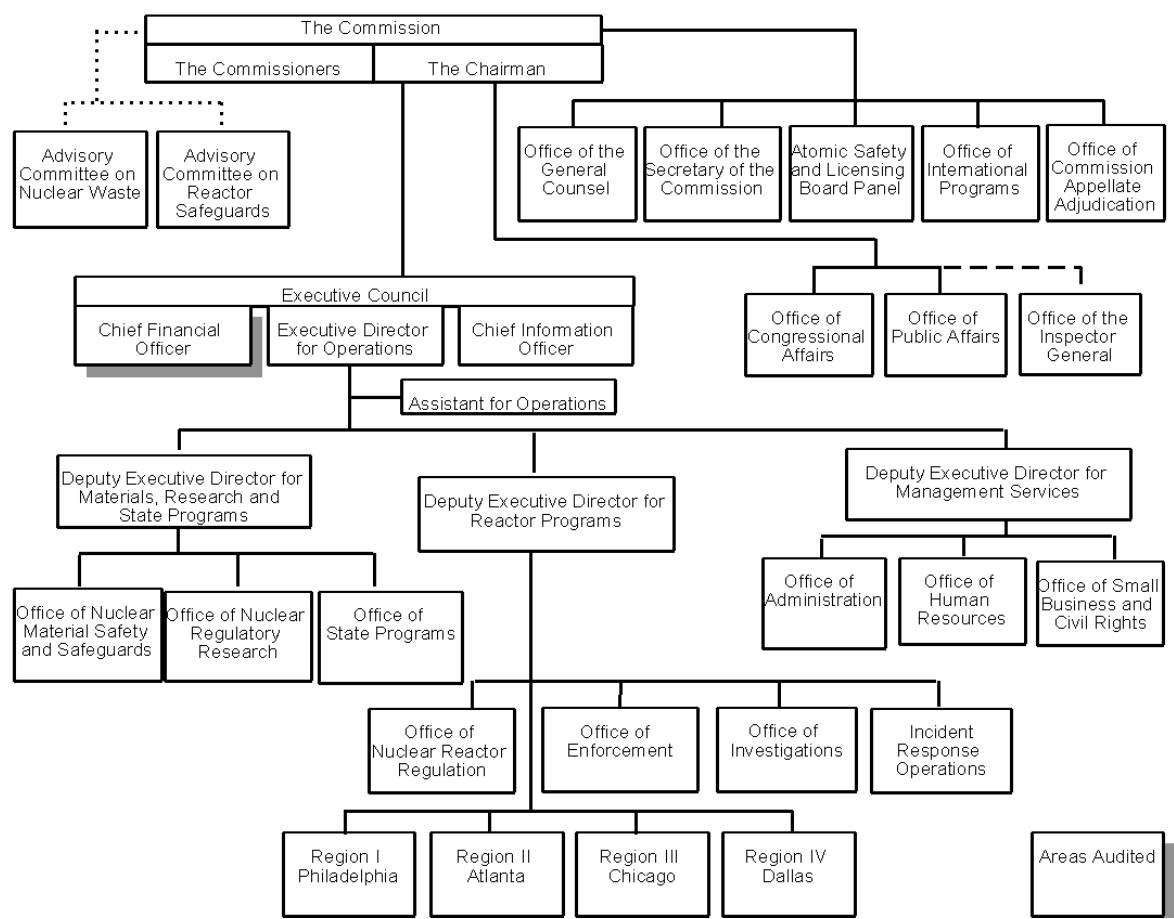
Page 4, Paragraph 1, "On nine vouchers, travelers did not obtain prior approval on the travel authorization form for lodging expenses"

All of the authorizations in the audit testing sample had the proper travel dates, itinerary, GSA per diem rate for that location and an estimated dollar amount for lodging. MD 14.1 states that NRC uses the per diem plus system which includes the cost of lodging. If a traveler is authorized to travel to a specified TDY location that is outside of the 35 mile radius of the official duty station and the period of the travel is greater than 12 hours then the traveler is authorized to receive reimbursement for lodging expenses incurred up the amount of the published GSA per diem for that location. On the NRC Form 64-official travel authorization, block 23A "Subsistence - per diem- lodging plus M&IE late" does not have to be checked for a traveler to be authorized to incur lodging expenses.

Page 4, Paragraph 2, "Region IV reviews 10 percent of all vouchers"

The statement in the audit report that states "Region IV reviews 10 percent of all vouchers submitted" is incorrect. Region IV follows a similar process as headquarters. Region IV performs 100 percent review of all vouchers for: (1) blanket and rotational authorizations; (2) those from the DRMA staff; (3) cost comparatives; (4) foreign travel; (5) when payment exceeds \$750. A 10 percent statistical sampling of the remaining vouchers is performed. This statement should be corrected in the audit report.

NRC ORGANIZATIONAL CHART



MAJOR CONTRIBUTORS TO THIS REPORT

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OFFICE OF THE INSPECTOR GENERAL PRODUCTS

INVESTIGATIVE

1. *INVESTIGATIVE REPORT - WHITE COVER*

An Investigative Report documents pertinent facts of a case and describes available evidence relevant to allegations against individuals, including aspects of an allegation not substantiated. Investigative reports do not recommend disciplinary action against individual employees. Investigative reports are sensitive documents and contain information subject to the Privacy Act restrictions. Reports are given to officials and managers who have a need to know in order to properly determine whether administrative action is warranted. The agency is expected to advise the OIG within 90 days of receiving the investigative report as to what disciplinary or other action has been taken in response to investigative report findings.

2. *EVENT INQUIRY - GREEN COVER*

The Event Inquiry is an investigative product that documents the examination of events or agency actions that do not focus specifically on individual misconduct. These reports identify institutional weaknesses that led to or allowed a problem to occur. The agency is requested to advise the OIG of managerial initiatives taken in response to issues identified in these reports but tracking its recommendations is not required.

3. *MANAGEMENT IMPLICATIONS REPORT (MIR) - MEMORANDUM*

MIRs provide a "ROOT CAUSE" analysis sufficient for managers to facilitate correction of problems and to avoid similar issues in the future. Agency tracking of recommendations is not required.

AUDIT

4. *AUDIT REPORT - BLUE COVER*

An Audit Report is the documentation of the review, recommendations, and findings resulting from an objective assessment of a program, function, or activity. Audits follow a defined procedure that allows for agency review and comment on draft audit reports. The audit results are also reported in the OIG's "Semiannual Report" to the Congress. Tracking of audit report recommendations and agency response is required.

5. *SPECIAL EVALUATION REPORT - BURGUNDY COVER*

A Special Evaluation Report documents the results of short-term, limited assessments. It provides an initial, quick response to a question or issue, and data to determine whether an in-depth independent audit should be planned. Agency tracking of recommendations is not required.

REGULATORY

6. *REGULATORY COMMENTARY - BROWN COVER*

Regulatory Commentary is the review of existing and proposed legislation, regulations, and policies so as to assist the agency in preventing and detecting fraud, waste, and abuse in programs and operations. Commentaries cite the IG Act as authority for the review, state the specific law, regulation or policy examined, pertinent background information considered and identifies OIG concerns, observations, and objections. Significant observations regarding action or inaction by the agency are reported in the OIG Semiannual Report to Congress. Each report indicates whether a response is required.